Banks in U.P., the Central Government propose to permit Uttar Pradesh Government to form a bank at its own in collaboration with a private party on the lines of Bank of Gujarat etc. with the provision that on formation of such a bank, the latter would take over the four existing private banks in Uttar Pradesh; and

(b) if not, what are the impediments envisaged in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY): (a) No such proposal is under consideration of Government. Further, Reserve Bank of India have intimated that they have not received any proposal from the Government of Uttar Pradesh for setting up a new bank.

(b) Does not arise.

Bringing service sector in Tax net

1957. SHRI SANJAY DALMIA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government are contemplating to bring service sector into tax net to mop up more revenues; and

(b) if so, the details thereof; and what is the anticipated rise?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY): (a) and (b) With effect from 1-7-94, Government have imposed tax on services of telephones, non-life insurance and stock brokers. The tax is to be charged @ 5 per cent on the amount of telephone bills, net premium chraged by the insurance companies and brokerage or commission charged by the stock brokers in relation to their services provided to the investors. Revenue on account of levy of service tax on these services is estimated at Rs. 600 crores in a full year.

Irregular activities of several chit funds

1958. SHRI ASHOK MITRA: Will the Minister of FINANCE be pleased to state:

(a) the legal framework according to which chit funds are allowed to operate in the country;

(b) the official agency or agencies responsible for monitoring the activities of these funds; and

(c) whether in view of the recent spate of reports concerning irregular activities of several chit funds, the Government are contemplating additional measures, including legislation, to safeguard the interests of depositors?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY): (a) The Chit Funds Act, 1982 enacted by the Central Government provides a legal framework for chit funds to operate in the country. The Act provides for framing of rules by the respective governments in the States/Union Territories in consultation with Reserve Bank of India (RBI) to extend the operation of the Act to the State/Union Territory concerned. However, a few states are still operating their own Chit Funds Acts which they had before the enactment of the Central Act. The deposit taking activities of the chit fund companies are regulated by the directions known as 'Miscellaneous Non-Banking Companies (Reserve Bank) Directions 1977,' issued by the RBI.

(b) Different State Governments have designated different agencies such as Registrar of Chit Funds and Registrar of Cooperative Societies for monitoring the activities of chit funds.

(c) The present provisions of the RBI Act do not empower Reserve Bank to direct a financial company to repay an overdue deposit. An amendment to the RBI Act giving such powers to Reserve Bank is under consideration.

Penal interest charged by Banks

1959. SHRI SURINDER KUMAR SINGLA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Banks are arbitrarily charging penal interest;

(b) what are the RBI guidelines with respect to penal interest;

(c) how much penal interest was collected by all banks during the year 1993-94; and

(d) whether Government propose to reduce the rate of penal interest?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY): (a) and (b) Reserve Bank of India (RBI) has prescribed minimum lending rates for different category of loans and advances and banks are free to charge rate of interest based on, among others, the credit worthiness of the borrowers. Thus there could be instances of varied rate of interest being charged by the banks. However, the rate of penal interest that can be changed by banks is restricted upto two per cent over and above the normal/usual rate of interest on advances applicable to the respective borrowers. No penal interest is charged for loan upto Rs. 25,000/- under priority sector.

(c) RBI has reported that the aggregate quantum of penal interest collected by all banks in the year 1993-94 is not available with them since there is no prescribed return/statement to collect such information from banks.

(d) RBI has no proposal for reducing the rate of penal interest at present.

Pending loan applications in banks in Nagpur

1960. DR. SHRIKANT RAMCHANDRA JICHKAR: Will the Minister of FINANCE be pleased to state:

(a) how many loan applications are pending in various Banks in Nagpur district of Maharashtra and since when;

(b) what are the reasons for delay in disposing of these applications; and

(c) what steps are being taken to make an early disposal of these pending applications?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHAR MURTHY): (a) to (c) The reporting system of data does not generate district-wise/State-wise/region-wise information regarding number of applications received, number of applications rejected and the number of applications under consideration. However, Reserve Bank of India (RBI)'s guidelines for providing advances to priority sector issued to all banks, inter-alia, provide that all the loan applications upto a credit limit of Rs. 25,000/- should be disposed of within a fortnight and those over Rs. 25,000/- within eight to nine weeks. The loan applications are received by the bank branches directly from applicants or through some State sponsored agencies, and are sanctioned accordingly. Any complaint received by the banks regarding delays in disbursement of loans or harassment of borrowers by any middleman in investigated by them with a view to take remedial action.

Grievance of Kashmiri migrant employees of Ellaquai Dehati Bank

1961. SHRI JAGMOHAN: Will the Minister of FINANCE be pleased to state:

(a) whether Government have not yet redressed the long standing grievances of the Kashmiri migrant employees of the Ellaquai Dehati Bank;

(b) whether Government are aware of the continued hardship of 192 employees, consequent to separation from their families and non-payment of salaries;

(c) whether, the proposal to merge Ellaquai Dehati Bank with the State Bank of India has been stalled, despite Government's sympathetic attitude, by the Management of the Bank;

(d) whether in the alternative, Government are considering permanent adjustment of the 192 Kashmiri migrant-employees in various branches of the State Bank of India so as to enable these employees to live with their families which have suffered due to the terrorism in Kashmir;

(e) whether Government have employed 300 persons from the valley of Kashmir in the State Bank of India by relaxing the normal procedure of recruitment; and